

26

THE WHITE HOUSE

WASHINGTON

Minutes Attached

SECRET

October 8, 1969

MEMORANDUM FOR DR. KISSINGER

MORI/CDF C05141858 pages 13-41
C03398132 pages 44-57

FROM: Viron P. Vaky *VV*

SUBJECT: Review Group Meeting on Latin America -- October 9, 1969

The Review Group will consider the agenda we prepared for the NSC discussions on Latin America, which are scheduled for October 15, and 17.

Bill Butler will be attending the RG meeting on Governor Rockefeller's behalf. I suggest that you open the meeting by giving Butler an opportunity to make some general comments, but hold questions on specific Rockefeller recommendations until the discussion of issues. There probably will be several questions for him on the trade, private investment, and development assistance recommendations.

The purpose of the meeting should be to consider whether the issues on the agenda are the right ones for the NSC and whether they are fairly and accurately presented. We did not try to list pros and cons because they are covered in NSSM-15 and the Rockefeller Report, and the agencies can make their case in the NSC. (We will, of course, prepare an issues paper with pros and cons for the President before the NSC meetings).

I suggest that you refer minor editorial suggestions on the agenda to me. However, proposals for substantial revision or restatement of issues should be entertained in the meeting.

I believe the agenda covers the major issues. I do not anticipate any significant problems with the political/diplomatic issues. We can expect various agency dissents and questions in the other areas-- security/military, trade, private investment, and development assistance. These are noted in your Talking Points.

USAID, State Dept reviews completed pages 13-41

ON-FILE DOC RELEASE
INSTRUCTIONS APPLY
pages 44-57

ON-FILE Treas RELEASE
INSTRUCTIONS APPLY pages
44-57

JCS and NSC review(s) completed
pages 44-57

State Dept. review completed
pages 44-57

NSS/NSC Review Completed.

SECRET

SECRET

-2-

For your background, following is a brief statement of where we would like to come out substantively at the end of the NSC process on the basic issues.

Political/Diplomatic. Pragmatic approach to internal political developments, including a more automatic recognition policy.

Treat the "Inter-American System" as of prime importance; use it as the main focal point of US-Latin relations.

Security/Military. Adopt the Rockefeller recommendations to provide increased internal security training and equipment (but would be selective and work toward eventual self-sustaining programs) and eliminate permanent military missions. Seek elimination of restrictive legislation on sale of military equipment, but allow sales through commercial channels rather than provide through MAP.

Make an effort to structure new collective security machinery for the hemisphere; explore Rockefeller's idea of a civilian-directed Security Council (but don't take the lead in pushing it).

Trade. Maximum development of trade with the hemisphere, giving special treatment if that is needed. Seek a liberal generalized preference scheme for all LDCs but be willing to give special preferences to Latin America if a generalized scheme cannot be achieved. Give special treatment to hemisphere nations where possible in quota allocations, commodity agreements, etc. Explore Rockefeller's idea for a hemisphere conference on the division of labor.

Private Investment. Adopt measures to support local private enterprise, encourage US private investment, particularly joint ventures. Reduce direct US involvement in protecting US investors--e.g. shift to private or multilateral investment guarantees, eliminate Hickenlooper amendment.

Development Assistance. Share increased responsibility for our development aid with the Latins--strengthen regional organizations and channel more aid through them; reduce bilateral program and presence, direct involvement in internal

SECRET

SECRET

-3-

economic and social policies. (Adopt Rockefeller recommendations and other measures to accomplish shift of responsibility.) Untie loans to the maximum extent possible.

Set up a new organizational arrangement for Latin American aid to supersede AID without waiting for Peterson Commission proposal for total AID but ad referendum to its final comprehensive action. Alternatively, or at the same time, direct the Peterson Commission to recommend, as part of its recommendations on overall AID reorganization, a separate arrangement for Latin America.

Work out a generous debt rescheduling. Adopt innovative new sectoral approaches to aid, especially in education, science and technology.

NOTE: The summary of the agenda paper is, in fact, included in the first four pages of that paper.

SECRET

Dr. Kissinger:

Henry, I think the issues listed in the first two pages of the agenda are in fact what we need out of the NSC (although not in order of priority.)

For convenience I am relisting them in abbreviated form, in order of priority. Parenthetically, I have listed for your guidance the concrete objectives we are seeking out of each conceptual principle.

1. Trade: What concept should guide our trade policy?
Specifically, the matter of trade preferences and quota restrictions.

(We want Presidential direction to the bureaucracy that on trade policy matters Latin America is to get favorable treatment, preferably in the context of generally liberalized trade policy, but if this is not possible on a world scale then special treatment for Latin America.)

(Specifically, we want:

- a. Liberal generalized trade preference, with a decision to offer special preferences to Latin America if a generalized scheme cannot be achieved within a fixed period.
- b. Liberal treatment of Latin America in allocating quotas; preferential allocation if general liberalization is not possible, e.g. meat, fruits and vegetables.
- c. Meaningful trade consultations.)

2. Development:

- a. Allocate and administer primarily bilaterally or share responsibility?

(We want a Presidential decision to undertake meaningful (not cosmetic) strengthening of regional organizations; to give CIAP and OAS system real role in allocating and channeling aid. Specific implementing decisions will come in IA-ECOSOC memo).

-2-

- b. How can we improve assistance administration immediately? Specifically we should consider untieing which will be an IA-ECOSOC matter.

(We want decision on principle to untie loans to maximum degree possible. Specific proposal will be made in IA-ECOSOC memo.

(We want decision on principle that we should reduce bilateral aid presence, shift emphasis from bilateral to multilateral and reduce involvement in internal economic and social matters. We want a decision that we should seek as soon as possible to eliminate restrictive provisions in aid legislation.)

- c. Debt Rescheduling: What posture should we take?

(We want presidential directive to move fast and generously on this, and to implement as much of the Rockefeller proposal as possible, making that our recommendation to the Latins at IA-ECOSOC-- this may require staffing for final position decision.)

- d. Sectors: How should we treat Rockefeller recommendations in various sectoral fields--agriculture, health, science?

(We want decision to emphasize science and technology and to study seriously Rockefeller proposal for Institute of Education, Science and Culture, to encourage action in other fields especially through regional organizations.

- e. Regional: Should we support economic integration and regional groupings?

(We want decision to support such groups and direction to seek ways to do so.)

3. Private Investment: How can we best help increase the flow of private capital, both local and foreign?

-3-

(We want a decision to:

- a. develop measures to support local enterprise;
- b. to take steps to encourage US investment, specifically to relax controls on foreign direct investment in LDCs and a study of tax incentives, and
- c. measures to reduce direct US involvement in protecting US investors such as private reinsurance, multilateral agreement on settlement of disputes.

4. Political: How should we view political development?
What recognition policy should we have?

(We should get Presidential guidance for a pragmatic approach and a decision to adopt a more automatic recognition policy.)

- a. Should we make multilateral system main focus of our relations?

(We want directive to do that and to shape policies to strengthen OAS and system.)

5. Security: What should the modalities of our assistance program be? Specifically, should we sell, give credit or grants for equipment, training, visible presence?

(We want a directive to follow generally a pattern of no large visible, permanent missions, (either very small ones or mobile ones), no grants except for emergencies, credit for internal security equipment generally, commercial sale for large and modern items not directly related to security. We should get a directive to prepare concrete measures that fit this guidance and implement them.)

SECRET

HAK TALKING POINTS

REVIEW GROUP - LATIN AMERICA

October 9, 1969

1. I would like to introduce Bill Butler, Vice President of the Chase Manhattan Bank and an advisor to Governor Rockefeller on his recent mission to Latin America.
2. What we have tried to do in this agenda is
 - start from the premises of the July 9, NSC meeting, which the President reaffirmed in his meeting at Camp David with Governor Rockefeller and Charlie Meyer.
 - identify the basic policy concepts arising out of the Rockefeller Report and NSSM-15 (we have not listed pros and cons.)
 - give some explanatory material--in the agenda annex--on the issues and illustrate how the basic policy concepts could be implemented, principally using the Rockefeller recommendations.
3. A. The NSC should not be expected to discuss every specific recommendation of the Rockefeller Report or other proposals; it should focus on the major principles and policy directions.
B. The policy decision will be implemented by specific measures:
 1. Some specific measures may flow directly from the NSC discussion.

SECRET

-2-

2. Many other measures will be incorporated in the position for the IA-ECOSOC meetings, which the President will pass on after the NSC meeting.
3. Other measures may be staffed out separately, some perhaps for the President's speech on October 31.
4. Unfortunately, we will have only one NSC session. Hence, we should concentrate on getting decisions on major conceptual principles and issues which can serve as directives or guidance for specific implementation.
5. I would like, therefore, to suggest, first, that we consider what issues should have priority for the discussion and what it is fair to ask the President to decide. I would propose that, because of the IA-ECOSOC meeting, priority generally be given to Trade, Development and Private Investment. Hence I would suggest an agenda--and we can come back to the specifics on these (these are paraphrases):
 - a. Trade: What concept should guide our trade policy with Latin America, specifically on trade preferences and quota restrictions and other trade barriers?
 - b. Development:
 1. Should we emphasize a shifting of shared responsibility by channeling aid and decisions through regional organizations such as CIAP?

See red-tag memo behind cover memo

SECRET

-3-

2. What should we do about debt rescheduling?
 3. What should we do about sectoral approaches--science, culture, health, rural development?
 4. What should we do about regional integration? (This is a new point we will add to the agenda.)
- c. Private Investment: How can we stimulate private capital flow to the development process?
 - d. Political: How should we view political development, and what about recognition policy?
 - e. Security: Should we do anything about the modalities of our assistance programs?
6. If these seem satisfactory, we might consider the agenda items relevant to them:

TRADE (Annex, pp. 15-16)

-- The key issue is how do we give effect to the "special relationship". We would want particularly to consider the questions of trade preferences and quotas and non-tariff barriers. (Treasury, Commerce and Agriculture will probably be negative, and AID probably weak. They will argue with all kinds of suggestions aiming at limiting the scope of the discussion or watering down the action. We should point out that we will be discussing the principles--the specific proposals for action are coming

SECRET

-4-

forward separately in the general trade preference paper
(NSSM-48) and the IA-ECOSOC proposals.)

DEVELOPMENT (Annex, pp. 20-25)

-- The key-issue is whether or not the US should share increasing responsibility--i.e. control--with the Latins for the use of development aid. (We should oppose any attempt by AID to water down this issue. The "shared responsibility" option is illustrated by two alternatives: a series of Rockefeller recommendations for strengthening regional organizations, and a more comprehensive BOB approach. AID and Treasury will probably oppose many of the specific measures cited. You should indicate the specifics are illustrative of a policy option and will need further staffing.)

-- (We believe the question of a new organizational arrangement for aid to Latin America should be discussed in the NSC because it is fundamental in terms of how we give effect to the special relationship. However, the question of an overall organizational change, as proposed in the Rockefeller Report, will be staffed separately.)

--- We think the principle of a debt-rescheduling should be considered in the NSC. (We would entertain additional options if proposed.)

SECRET

-5-

(The agenda includes the Rockefeller recommendations for new sectoral approaches. Here again, we would entertain other options.)

(AID may suggest issues concerning aid levels or program composition. We do not believe the NSC should get bogged down in detailed discussion of these questions.)

(There may be suggestions that aid issues be deferred for consideration by the Peterson Commission. This is a legitimate option, but you may recall from Camp David that the President did not want to wait. On the other hand, it will be more difficult to get the sweeping changes in overall AID which the President wants from Peterson if one piece is done in advance.)

PRIVATE INVESTMENT (Annex, pp. 18-19)

(Butler may have to explain some of the Rockefeller recommendations. The most controversial are modification of Hickenlooper and tax rules to promote joint ventures.)

POLITICAL/DIPLOMATIC (Annex, pp. 4-9)

We expect no dissents.

SECURITY/MILITARY (Annex, pp. 10-14)

(Security Assessments: We have soft-pedalled the difference in security assessments in NSSM-15 and the Rockefeller Report. However, Nutter is expected to ask that the assessment be a full agenda item. I do not think the NSC should

SECRET

-6-

debate this--it will take too much time. It is basic in a broad sense, but not necessary to the speech or the issues listed. I suggest we ask for an intelligence community evaluation of the Rockefeller assessment; as part of the back up material; alternatively, we can structure it so that the President asks for this in order to make further decisions.)

(Military Missions: Nutter will probably propose that we do not consider this because a DOD study on missions is underway, scheduled for December completion. That study is under OPRED, however, and this suggestion will basically be a delaying tactic. We should counter with the fact that the discussion of visibility and presence could still occur and does not depend on a study. We should maintain the item in the agenda.)

(Equipment Sales: We should entertain any options State and/or DOD may pose as an alternative to Rockefeller's recommendation that modern military equipment be sold through MAP. DOD will probably recommend that this be treated as a separate issue rather than a subordinate part of the internal security part. There is no objection to this.)

SECRET

SECRET

AGENDA
NATIONAL SECURITY COUNCIL
MEETING ON LATIN AMERICA
October 15 and 17

The NSC Meeting on Latin America is intended to consider major lines of policy toward the region, with specific reference to the Rockefeller Report.

To provide some manageable structure to this wide-ranging topic, it is proposed to concentrate on a few major principles of policy which are implicit in or expressed in the Rockefeller Report and the NSSM-15.* The specific recommendations in the Rockefeller Report will be considered in the context of these basic issues. In some cases decision may be reached on major principles which will permit follow-up on specific measures or adequate guidance for general policy implementation.

The meetings will use the July 9, NSC session as the point of departure (See Sec. I, Setting, attached). The following is a summary listing of the major issues around which it is proposed that the discussion be structured. More detailed explanatory material on these issues are in the attached papers. The attachments are not intended to staff the issues or to list pros and cons.

MORI/CDF
C05141858 pages
13-41

I. POLITICAL/DIPLOMATIC

- A. How should the U.S. view the process of internal development in other hemisphere countries, and specifically to what extent should we promote democracy?

Alternatives: (a) Active involvement

(b) Pragmatism

(NSSM-15, Sec. IV., pp. 16-19; 37-45)
(Rockefeller Report, pp. 45-48)

USAID, State Dept reviews completed

*See
separate
document.
Referenced
pages tabbed*

SECRET

* References to NSSM-15 throughout this paper refer to the IG response to NSSM-15 rather than the NSSM itself.

SECRET

- 2 -

Sub-Issues:

1. Should we accept the Rockefeller recommendations for a more "automatic" recognition policy?
2. What overall approach should we take to the Latin American military?

(NSSM-15, Sec. IV, pp. 25-29)

(Rockefeller Report, pp. 17-19)

- B. How much should the U. S. use the organizations of the inter-American system to carry out its policies?

Alternatives: (a) Treat the OAS and system as primary and main focal point;

(b) Treat system as of very limited utility and concentrate on bilateral relations.

(Rockefeller Report, pp. 39-44; 103; 125)

(NSSM-15, Sec. VIII)

II. SECURITY/MILITARY

- A. How should we structure our internal security assistance program?

1. Patterns for the program

2. Acquisition of modern equipment

(Rockefeller Report, pp. 52-55)

(NSSM-15, Sec. VI, pp. 16-20)

- B. Should we make any effort to improve the collective security mechanism for the foreseeable future or conclude that we can only make the best of existing machinery?

1. A major effort to structure new machinery

2. Accept conclusion that a major effort cannot succeed and seek to make modest improvements in the existing mechanisms.

(Rockefeller Report, pp. 52-55)

(NSSM 15, Sec. VIII, pp. 11-13)

SECRET

SECRET

- 3 -

III. TRADE

A. How should our "special relationship" be given effect in the trade area?

1. No special treatment.
2. Limited special attention, essentially for cosmetic purposes.
3. Special treatment for Latin America.
(NSSM-15, Sec. VII, pp. 15-17)
(Rockefeller Report, pp. 61-71; 113)

B. Should we seek a hemisphere conference on "division of labor"?
(Rockefeller Report, pp. 92-94)

IV. PRIVATE INVESTMENT

A. How should we encourage increased private investment, both local and foreign, in ways which minimize foreign policy problems for the U.S. Government?

(Rockefeller Report, pp. 80-86)
(NSSM-15, Sec. VII, pp. 20-24)

V. DEVELOPMENT ASSISTANCE

A. Should the U.S. continue to allocate and administer development assistance primarily through U.S.-controlled bilateral programs or begin to share increasing responsibility with the other American Republics?

(Rockefeller Report, pp. 56-60; 72-78)
(NSSM-15, Sec. V., pp. 22-26)

B. Should a new organizational arrangement be created to supersede AID in carrying out Western Hemisphere development assistance programs? (NSSM-15, Sec. V., pp. 26-30)

(Rockefeller Report, pp. 34-35)

SECRET

SECRET

- 4 -

C. Should we adopt the Rockefeller Report recommendation on debt rescheduling?

(Rockefeller Report, pp. 78-79)

D. Should we adopt the new sectoral approaches as recommended in the Rockefeller Report, e.g., for education, science and culture, rural development, conservation ?

(Rockefeller Report, pp. 95-130)

SECRET

SECRET

AGENDA ANNEX

THE SETTING FOR POLICY CHOICE

The Western Hemisphere is experiencing a period of rapidly intensifying change--change in economic institutions, political traditions, social structures and national psychologies. The result is a confused political spectrum: some nations operating through democratic institutions, others turning to authoritarian solutions to their dilemmas; governments unable to cope with often conflicting demands for social reform and economic growth; rapidly increasing economic and social problems and growing gaps between aspirations and performance; restive groups seeking a greater role in the political process and limited capacities or willingness of existing systems to channel and absorb them.

Over the next several years the region is almost sure to experience:

- Continued rapid and widespread change in economic, social and political institutions and processes;
- Rising frustration with the pace of development, intensified by industrialization, urbanization and population growth;
- Political and social instability, with parallel growth of political radicalism and an increased temptation to turn to authoritarian ways to handle problems;
- Growing nationalism, across the spectrum of political groups, probably marked by anti-US overtones because of our omnipresent influence throughout the hemisphere; an accompanying tendency to assert "independence" from us;
- Continuation of the trend of the military to take power to recast political and economic systems.

The dynamics of this situation confront both Latin Americans and us with major problems of adjustment across the whole spectrum of our relationships. (See NSSM-15, Section II, pp. 5-7)

The U.S. is especially concerned about this situation and what happens in the Western Hemisphere. This concern is based on several dimensions of interest:

- Conventional, political, economic and security interests represented by such things as the security consequences of geography; Latin America's

SECRET

- 2 -

position as an important trade partner and focus for sizeable U.S. investments, and the diplomatic underpinning for our own world policies which these nations can supply;

- Enlightened self-interest in and humanitarian concern for economic and social development;
- And, above all, the "special relationship" we have historically maintained with the region and which gives a special cast to our normal concerns.

A special relationship has existed with the nations of this hemisphere as a historic fact. It was formed on the basis of geography and the shared historic desire to establish the Western Hemisphere as a political area distinct from Europe and free from external influence. It has evolved over time and has become solidified in the widespread acceptance of the idea of hemisphere community and in the web of treaties, organizations and commitments that comprise the inter-American system. The resulting long historic association and the persistent verbalization of the concept of community have become self-fulfilling. That "special bonds" exist is widely believed and is a political and psychological fact.

The nature and concept of this relationship, and the obligations and responsibilities that flow from it, have been affected by changing circumstances, especially since World War II. And the crux of mutual policy problems has always been precisely this point of adjustment of the special relationship to changing circumstances, new settings, and a different world environment.

Both NSSM-15 and the Rockefeller Report characterize the current state of our relations with the hemisphere as unsatisfactory. Both affirm that our concepts and policies have not kept pace with the changing dynamics of the region and are no longer suited to existing needs and problems there. The Rockefeller Report also affirms that we ourselves have allowed the special relationship to deteriorate by permitting other narrow interests, other foreign policy priorities, budgetary and administrative constraints and a burgeoning bureaucratic tangle to submerge it to the point where the Latin Americans do not know what we want or if we care. Many of our policies have been distorted to serve a variety of other purposes having nothing to do with the things for which they were originally intended or with the needs and problems of the region.

SECRET

SECRET

- 3 -

Both reports conclude that our fundamental policy problem is how to redefine and reinvigorate our special relationship to meet mutual needs in the hemisphere in the changing circumstances of the 70's.

The NSC meeting of July 9, considered the conceptual bases of our policy and our relationship with the hemisphere. It was the consensus of that meeting that:

- A "special relationship" has existed and ought to exist;
- The purpose of that relationship now ought to be to promote a community of independent, self-reliant states linked together in a friendly and mutually beneficial relationship;
- Our assistance to help these nations build more effective societies is an important part of that relationship;
- We should avoid paternalistic style and tutorial posture;
- We should seek a true partnership for our special relationship with greater responsibility being shared with and assumed by the Latin Americans for their own development and maturity;
- We should respect and encourage constructive nationalism.

Using the above guidelines as the point of departure, the following sections outline the major operational issues for which policy choices should be made.

SECRET

SECRETI. POLITICAL/DIPLOMATIC

At least three general trends appear almost sure to characterize political dynamics in the Western Hemisphere over the next several years:

1. The growing importance of nationalism and of Latin efforts to assert greater "independence" of the US;
2. Continued economic and political instability, accompanied by increasing outbreaks of social unrest, political crises and coups, and perhaps societal violence;
3. An increased tendency toward radicalization of political life, probably toward authoritarianism, and with greater participation in political life by military institutions.

These trends are considerably different from what had been hoped for and envisaged ten years ago under the Alliance. They also challenge both the posture heretofore implicit in US policy of active promotion of democracy, and the ideals and commitments in the OAS and Punta del Este charters.

In this political setting there are two major policy issues for the US to consider:

- How to view the process of internal political development and specifically to what extent we should try to promote democratic systems; and
- What role the inter-American system should have in Western Hemisphere relationships, and how much the US should use the formal system to carry out its policies.

A. Political Development

1. Issue: How should the US view the process of internal development in other hemisphere countries, and specifically to what extent should we try to promote democratic systems?

The process of change which the area is currently experiencing presents a fundamental challenge to the legitimacy and effectiveness of traditional forms, systems and values.

SECRET

SECRET

- 5 -

Recent political dynamics have brought into being in a few countries "institutional" military regimes. These claim a legitimacy based on the alleged need for authoritarianism to achieve long-term economic reform and social change, and with an implicit thesis that civilian government has failed.

During the 60's the US tried to use various policy tools, such as the withholding of diplomatic recognition and economic aid, to promote social reform and political democracy. Whatever the reason we did not deflect the current trend toward reliance on authoritarian solutions.

In the present circumstances, the US could adopt one of two basic approaches: (1) Active involvement in promoting representative democracy and social reform or (2) Circumspect pragmatism. (See NSSM 15, Section IV.)

The case for involvement rests on the argument there is a commitment to democratic government in the Charter of Punta del Este; that we possess a preponderant power and influence in the Hemisphere; and that we should employ it in a fashion consistent with our ideals, interests and commitments. (NSSM-15, Sec. IV. 16-19)

Such an approach would employ all policy tools to promote the cause of democratic and social reform. Thus, we could use recognition to assert leverage, withhold or grant economic and military assistance and use other modes of pressure and aid. We could vary the activism and kinds of approaches, and vary the degree to which we would "evangelize" for democratic government. But whatever the degree of "evangelism" we adopt, the basic concept of this approach is that the achievement of democratic government in other countries is our basic objective and responsibility. (NSSM-15, Sec. IV. pp. 37-45)

The case for pragmatism rests on the record of the 1960's; and on the premise that there are sharp limitations to what one government can do to construct new institutions and political systems in another society. It would recognize the expectable resistance and resentment on the part of a people to pressure from outside, however well meaning. (NSSM-15, Sec. IV. pp. 16-19)

SECRET

SECRET

- 6 -

This approach would not deny our preferences for democracy. It would only argue that the development of such societies is a long-range process which must be achieved by them. We would be willing to work with authoritarian regimes who observe a "minimum standard" of conduct for the sake of helping the people and the long-range process of social/political development.

Under such an approach we would relate assistance to helping the people; generally maintain a passive posture toward internal developments; adopt a modified Estrada doctrine on recognition; and generally judge the value of cooperative relations in terms of mutual interests, how effectively the government works with its people and how much popular support it enjoys. In short, this approach would vary from involvement in that, while we would make clear our own preference and affirm our own commitments and values, we would not conceive it to be our responsibility to promote democracy in other societies. (NSSM-15, Sec. IV. pp. 37-45)

The Rockefeller Report essentially recommends the pragmatic approach. It recommends that we affirm a commitment to work to improve the lives and conditions of people; that we recognize that political evolution takes time, and that there will be political societies we do not like from time to time; and that our long-term interests will be best served by maintaining at least minimal diplomatic relations with other governments while trying to find ways to assist the people of those countries. (See Rockefeller Report pages 45-48).

2. Two specific questions subsumed under the above basic issue warrant special mention:

- (a) Sub-Issue: Should we accept the Rockefeller recommendation for a more "automatic" recognition policy?

Our recognition policy over time has swung between the traditional British position, which applies minimum de facto tests, and the Wilsonian policy of using recognition to achieve political leverage and seek restoration or promise of restoration of democratic forms. Practice elsewhere in this hemisphere has also varied widely.

SECRET

SECRET

- 7 -

Most recently, we have operated under Resolution 26 of the Second Special Inter-American Conference. This calls for consultations among the nations of the hemisphere, and recommends that the intentions of the de facto government regarding free elections, human rights and fulfillment of international obligations be considered in reaching a decision to resume diplomatic relations.

The Rockefeller Report (pp. 47-48) recommends a more automatic recognition policy based upon Article 35 of the Final Act of the Ninth Inter-American Conference which stated that the establishment of diplomatic relations does not imply any judgment upon the domestic policy of that government. The Cranston resolution, recently passed by the Senate, recommends essentially the same kind of recognition policy.

(b) Sub-Issue: What overall approach should we take to the Latin American military?

Military institutions will probably play a growing political role in most Latin American countries, though it is not clear whether they will follow political courses that we would favor. (See NSSM-15, Sec. IV, pp. 25-29 and Rockefeller Report pp. 17-19)

How the United States views the current trend toward military governments and what policies we should follow toward them essentially depends upon the basic issue posed above of promotion of democratic government or a pragmatic approach. Adoption of the former posture would lead one to the Fulbright/Church stance of opposing a political role for the military wherever possible or at least an aloof posture from military regimes. The pragmatic posture would accept the fact that the military is a significant institution in these societies, will play a political role whatever we say, and would seek to exert constructive influence on these institutions in ways and means determined by the circumstances of each case.

The Rockefeller Report (pp. 50-51) supports the pragmatic posture.

SECRET

SECRETB. The Inter-American System

1. Issue: How much should the U.S. use the organizations of the Inter-American system to carry out our relations?

The "Inter-American System" is a conglomerate of inter-governmental organizations, treaties and principles that have evolved as an outgrowth of the unique historical relationships among the American Republics. This system has had to reflect one basic reality--the asymmetrical makeup of power in the hemisphere represented by the fact that the wealth and power of the U.S. exceeds that of the other countries combined. The system's great value, in fact, is precisely that it has muted that disparity by providing a way to deal with each other and maintain the concept of solidarity.

Both the U.S. and the Latin American countries see advantages in the system. It provides a forum for the U.S. to deal with the Latin American countries and a means of energizing collective action on matters of joint concern. For the Latin American countries the system provides a collective restraint on U.S. power; it also provides a means for them to work together and to bring their individual and concerted influence to bear on the U.S.

The question is clearly posed whether greater use and strengthening of the various organizations would not be beneficial to the U.S. in two ways:

- a) as a practical means of sharing responsibility for such things as development and for uniting the individual efforts of the various countries; and
- b) to help overcome the substantive and psychological problems that arise when a nation of overwhelmingly preponderant power deals with a much weaker one bilaterally.

These are two poles to the range of policies we could adopt:

1. Treat the organizations and the concept of the "Inter-American System" as of primary importance to the achievement of U.S. objectives, and as the main focal point of U.S. -Latin American relations.

SECRET

SECRET

2. Treat the system as an alternative of limited utility in achieving U.S. goals in the hemisphere, and concentrate instead on our bilateral relations, giving minimum support to the OAS consistent with our membership and commitments or the psychological needs of the moment.

Pros and cons on the varying positions we could take as well as background information is contained in Part VIII of NSSM-15.

The Rockefeller Report in effect leans toward the first pole and recommends major efforts to use the system and multilateral patterns in carrying out our relations (pp-39-44). The Report recommends:

- a. Encouragement of regional organizations such as the Andean group;
- b. Support of the OAS in political problems;
- c. Use of the OAS for technical assistance programs;
- d. A strengthening of CIAP giving it greater responsibilities, including allocation of development assistance;
- e. Support of the Council for Education, Science and Culture;
- f. Use WHO and PAHO as prime instruments for U.S. effort in the health field;
- g. Improvement of collective security through a Security Council;
- h. Support of OAS initiatives to handle migration problems;
- i. Recognize CECLA as a means of independent expression for Latin America.

SECRET

SECRET

II. SECURITY/MILITARY

In the period from World War II through the mid-50's there was heavy emphasis on the need for a collective effort to defend the hemisphere against external attack. The US took the lead in the development of this effort through negotiation of the Rio Pact and the OAS charter, and undertook military assistance programs to aid those countries which pledged forces for hemisphere defense.

In more recent years internal subversion and instability have been identified as the principal threats to the security of the Hemisphere, and the nature of our military assistance programs has changed accordingly.

NSSM-15 and the Rockefeller Report vary in their estimate of the seriousness of the internal security threat, although this may be more apparent than real.

NSSM-15 (See Sec. VI) concludes that from the standpoint of protecting US interests:

- internal security problems appear to be within the competence of the security forces of the various countries to contain, though some US assistance appears needed, and some of the weaker countries may require particularly close attention and additional assistance if the situation deteriorates.
- rising nationalism poses a significant threat to US interests, particularly when taken in conjunction with a Soviet presence and a Soviet willingness--partial or hypothetical--to offer itself as an alternative to Latin dependence on the US.
- the Soviets are likely to fan any Latin American sentiment for reducing dependence on the US. Even though it is not clear how far they are prepared to go in this regard, this possibility does present a potential threat.

The Rockefeller Report (see pp. 20-21 and 49-52) concludes that:

- Communism, including Soviet subversion is a serious factor;

SECRET

SECRET

- the capabilities of subversive forces are increasing; they are turning increasingly toward urban terrorism.
- the seriousness of this subversive threat is underestimated in the US.

While the estimates vary, however, both reports recognize that internal security problems are of concern to us, and that US assistance will be needed in some cases.

Two basic issues may be posed in this area:

- How should we structure our internal security assistance
- Should we attempt to improve the collective security mechanisms?

A. Internal Security

Issue: How should we structure our internal security assistance program to effectively meet legitimate needs and ultimately lead to self-sustaining programs in the countries concerned?

1. Patterns. At the present time we maintain resident military missions and AID police missions in most of the countries of the hemisphere. We have begun to phase out grant material assistance except in certain critical countries where a need can be justified; with the bulk of our equipment assistance being furnished through foreign military sales. We maintain modest levels of training both in-country and in the US and the Canal Zone.

The Rockefeller Report (see pp. 52-55) recommends a somewhat different pattern for our program designed to meet what it believes to be changing circumstances. It recommends:

- a. Increased grants for training;
- b. Provision for internal security equipment--communications, transportation, small arms--as reasonably needed (it does not specify whether on grant or FMS).

SECRET

SECRET

- 12 -

- c. Elimination of permanent military missions in residence since these are too visible and too large; but meeting of military and police training requests on a temporary mission basis, in-country or in training outside.

2. Equipment. A principal cause of recent friction with the Latin American military, particularly in the larger countries, has been their dissatisfaction with US restrictions on grants and sales of large items of new equipment. The Latins feel the need for replacement of much of their major equipment items which are obsolete by at least a generation. The focus in the US Congress--and reflected in legislation--has been to view such expenditures as unnecessary resource diversions from development purposes. US efforts to stimulate multilateral arms limitation understandings have failed completely.

Thus the US desire to reduce Latin expenditures on arms that may be unnecessary comes into conflict with the fact that as part of a re-equipment cycle, many Latin nations are determined to make purchases of large military equipment items in the next few years. The result is a dilemma for the Executive Branch. Latin American resentment will continue to grow if the US continues to impose restrictions on their purchase of modern arms, particularly when European suppliers are anxious to meet their needs. Yet Congressional opposition to the use of US funds either military or economic development to enable any such purchase to be made continues strong.

At the present time, the US has no capacity to meet the aspirations of these countries for modern items, such as jet aircraft, without a Conte or Symington amendment penalty. Modification of the Conte amendment to the foreign assistance act is currently pending.

The Rockefeller Report recommends that the Executive seek elimination of all existing restrictive legislation and that we sell such items through the MAP (p. 54. No. 4).

B. Collective Security

Issue: Should we make any effort to improve the collective security mechanism for the foreseeable future or seek to make the best of existing machinery.

SECRET

SECRET

- 13 -

The principal instrument for internal security is the Rio Treaty which is addressed to aggression from the outside as well as by one member state against another. A further element of flexibility is afforded--where there is doubt about aggression--by the OAS Charter itself which permits the Foreign Ministers to take up cases of "problems of an urgent nature and of common interest." These appear to provide adequate legal bases for collective security.

The military-security bodies of the Inter-American system are relatively ineffectual, however, An Advisory Defense Committee provided for under the Charter has never been brought into being. The Inter-American Defense Board functions, but it operates in semi-isolation from the OAS itself and draws up theoretical hemisphere defense plans. (A proposal, supported by the US, to incorporate the Board into the Charter when the latter was being amended was rejected.) The semi-autonomous Special Consultative Committee on Security and the OAS Council's own "Laval" Committee have played marginal advisory roles in the field of Castro Communist subversion but neither is able to perform an effective intelligence role. (See NSSM-15, Sec. VIII, pp. 11-13)

The Rockefeller Report states that "no country today can effectively protect its own internal security by itself." (p. 51) It recommends a major effort to improve collective security by formation of a Western Hemisphere Security Council in the OAS.

A decision to seek more effective collective security measures could be pursued along one of the following paths:

1. A major effort to structure new machinery. This could cover:
 - a. measures such as the Rockefeller recommendation of a civilian-directed Security Organization; or
 - b. the structuring of periodic meetings of Ministers of Defense and/or Government; or
 - c. Amendment of the OAS Charter to incorporate the Defense Board into the regular structure or to reshape it outside the structure.

SECRET

SECRET

- 14 -

2. Accept the conclusion that a major effort cannot succeed and seek to do what one can to make modest improvements in existing mechanisms; such as;
 - a. form an ad hoc collective force when a particular situation demands;
 - b. support and stimulate sub-regional cooperation on security matters, such as CONDECA or the Colombian/Venezuela staff talks;
 - c. seek to bring the Advisory Defense Committee into being on a "stand-by" basis and establish a small permanent military staff in the General Secretariat to provide backstopping eliminating the Defense Board (See NSSM 15, Sec. VIII, pp. 11-13).

SECRET

SECRET

- 15 -

III. TRADE

Trade expansion is essential to accelerated development in the hemisphere. Latin America's export earnings have been growing too slowly to adequately finance its development needs. A major problem is that about 87% of the area's exports consist of primary products, which have limited growth possibilities and are subject to price instability. Expansion and diversification of exports are necessary for long-term growth. The United States, which is the single largest market for the hemisphere nations, maintains trade barriers which the Latins see as limiting the growth of their exports, both of primary and industrial products. They see our restrictive trade measures as inimical to their development goals and not responsive to the realities of their situation. They resent the fact that other LDC's enjoy special preferences in the markets of other developing nations while they receive none from the United States. (See NSSM, pp 43-45 and Annex VII; Rockefeller Report pp 61-66)

A. The basic issue we face is how our "special relationship" should be given effect in the trade area.

There are three basic options:

1) No Special Treatment

Our consideration of Latin America's trade problems would be in the context of U. S. trade policy toward all LDC's. We would respond to Latin America's need for greater access to the U. S. market by continuing to seek a system of generalized trade preferences for all LDC's in the developed countries. It would assume no special political factor for Latin American countries in consideration of quota allocations, commodity agreements.

2) Limited special attention, essentially for cosmetic purposes.

We would make limited gestures on trade policy for the Latins. Such moves would have some psychological value but would not be in serious conflict with domestic interests or the interests of other regions. The positions being considered for the IA-ECOSOC meetings essentially reflect this approach. We could:

- (a) Support a generalized preference scheme for all LDC's but give special attention to products of interest to Latin America;
- (b) Seek removal of duties on a list of minor products of interest to Western Hemisphere nations;

SECRET

- (c) Try to negotiate more favorable access for Latin American fruits and vegetables to the U.S. market by such measures as extending seasonal preferences;
- (d) Seek to organize an action program in the OECD for liberalizing quota restrictions on LDC products, with special attention to Latin America;
- (e) Seek closer consultation on trade matters; and
- (f) Assist hemisphere tourism.

3) Special Treatment for Latin America

This is essentially the approach of the Rockefeller Report (pp 61-71; 113). Under this option, we would:

- (a) Offer special preferences to those nations which do not now have such preferences from other developed nations (i.e., Latin America) pending achievement of a system of generalized preferences for all LDC's. (An alternative would be to announce our willingness to offer such specialized preferences if a generalized preference scheme cannot be achieved within a fixed period of time). Adjustment assistance would be provided to U.S. industries adversely affected.
- (b) Readjust basic commodity (e.g., meat, textiles, sugar) quota allocations to hemisphere nations to contribute to development objectives;
- (c) Allocate a major part of growth in these imports to hemisphere nations;
- (d) Support commodity agreements to maintain prices for primary products of interest to Latin America;
- (e) Vote with the Western Hemisphere nations to support the International Coffee Agreement and assure that hemisphere nations receive a major share in the growth of the U.S. market;
- (f) Allocate a major part of future growth in agricultural consumption to hemisphere nations and re-examine present limitations on Latin American farm product exports to the United States;
- (g) Review shipping rates in the hemisphere.

SECRET

- 17 -

B. Should we seek a hemisphere conference on the division of labor?

The Rockefeller Report (pp 92-94) suggests that all of the nations of the hemisphere would benefit from a more efficient division of labor. It concludes that a smooth adjustment process could be worked out through a phased elimination of tariffs and quotas over a reasonable period. The Report recommends that the President request the OAS to convene a major conference to establish a more rational division of labor in the hemisphere.

SECRET

SECRET

- 18 -

IV. PRIVATE INVESTMENT

Accelerated growth in the hemisphere will require increased private investment, both local and foreign. However, many of the hemisphere nations' economic policies and structures, and their attitude toward private investment do not create a framework which encourages private investment. In particular, there is a fear and resistance to direct US private investment. Foreign policy problems created for the US Government because of nationalist pressures against US direct investment are compounded by 1) the fact that past investments have been heavily in extractive industries and public utilities, areas most susceptible to nationalist reaction, and 2) a fundamental divergence between US and Latin legal views on the status of private investment and the role of government in protecting such investments.

A. The basic issue is how to encourage increased private investment, both local and foreign, in ways which minimize foreign policy problems for the US Government.

The Rockefeller Report (pp. 80-86) and NSSM-15 (Annex VII, pp. 20-26) suggest three broad measures which the United States can take.

1. Support local private enterprise. Measures to implement this approach could include:

-- Support for efforts to encourage local savings and channel them into productive investment. For example:

- a. Support regional and national development banks.
- b. Development of local open-end investment trusts.
- c. Assist the development of local and regional capital markets.
- d. World Bank bonds repayable in constant value.

SECRET

SECRET

- 19 -

- e. Develop a Latin American dollar market (similar to the Euro Dollar Market.)
- f. Guarantees for part of local bank loans for rural village development.

- Give high priority to training of entrepreneurs, managers, scientists and technicians.
- Expand the use of capital goods import loans for the private sector.

2. Encourage US private investment, particularly joint ventures with local participation. Measures to implement this approach could include:

- Modification of tax rules to encourage private investment and promote joint ventures in LDCs.
- US "start-up" contract mechanisms to bring private investors into high risk ventures with good development potential.
- Improve mechanisms to bring US investors and Latin American companies together.
- Relax controls on foreign direct investment in LDCs.

3. Reduce direct US Government involvement in protecting US investors. Measures to implement this approach could include:

- Set up a private US insurance group to take over insurance of private foreign investments under a reinsurance arrangement with OPIC (Rockefeller Report, p. 84); or alternatively, promote a multilateral investment guarantee arrangement. (NSSM-15 Annex VII, p. 24)
- Work with CIAP and private sectors to develop uniform "rules of the game" for private foreign investment. This could be on a hemisphere-wide basis or alternatively, on a country by country basis.
- Modify or repeal Hickenlooper amendment to eliminate mandatory aid cutoff. (Rockefeller Report, p. 77)

SECRET

SECRET

- 20 -

V. DEVELOPMENT ASSISTANCE

The Western Hemisphere nations need and want both trade and aid. Even with improved self-help and expanded trade opportunities, continued external development assistance will be essential for accelerated progress. As a practical matter, the United States is the principal source of financial and technical assistance for the nations of the hemisphere.

However, several factors limit the efficient use of our aid resources and produce political frictions or problems for the US Government. As a result, there is disappointment and resentment about our assistance efforts both in the hemisphere and at home. Past programs raised unrealistic expectations. US assistance programs have been encumbered by obstacles and restrictions which serve domestic or special interest purposes, and conflict with development objectives. The manner in which we have provided aid has involved the US Government deeply in politically sensitive internal policies of recipient governments.

Moreover, the growing trend toward nationalistic authoritarian governments poses practical political problems, particularly in light of Congressional attitudes, which limit our ability to maintain the flow of substantial bilateral assistance. (NSSM-15, Sec. V; Rockefeller Report, pp. 56-60; 72-75)

The Rockefeller Report and NSSM-15 suggest that it is in our interest to continue to provide development assistance to the nations of the hemisphere.

A. The fundamental issue posed by our experience with the AID program, the prospects for change in the hemisphere, and a reassessment of our overall purpose and style toward the hemisphere is whether the US should continue to allocate and administer the development assistance to the hemisphere primarily through US-controlled bilateral programs or begin to share increasing responsibility with the other American republics.

Option 1. Continue predominant US control over allocation and administration of development aid to the hemisphere.

SECRET

SECRET

-21-

This option would maintain the existing aid pattern under which most of our assistance for the hemisphere is channeled into bilateral programs, with a US Government agency responsible for planning, allocating, negotiating, and implementing development loans and grants. It implies the continuation of substantial AID field missions, and a heavy degree of involvement in the internal economic and social policies of recipient nations. It assumes that a predominantly bilateral program has political benefits and/or a degree of effectiveness which offset the political problems which it may produce.

Under this option, measures could be taken to improve the efficiency of the current program and reduce the political frictions associated with it. Measures of this kind recommended in the Rockefeller Report (pp. 76-77) could include untieing development loans for procurement anywhere in the Western Hemisphere; seeking removal of AID barnacles which interfere with development; seek modification of restrictive legislative provisions, such as the 50/50 shipping requirement, the Pelly, Conte, Symington, Ruess and Hickenlooper amendments; ease terms for loans; concentrate on new approaches to high priority areas such as urban and rural community development, agriculture, education and public health.

Under this option, we would continue to consult with and give consideration to the views of regional organizations, but this would be essentially a gesture for psychological purposes. We would not give up any significant degree of control over the bulk of our assistance.

Option 2. Share increasing responsibility with the other American republics for allocation and administration of development assistance; gradually shift from predominant control to partnership.

This option would involve strengthening regional mechanisms and institutions, giving them an increasing role in decisions affecting US development assistance, and gradually transferring more of our aid through those channels. It implies increased confidence in their capabilities. It assumes that we want to help but not dominate in the development process; that we want to reduce our direct involvement in the internal policies of recipient

SECRET

SECRET

- 22 -

nations; that we want to reduce our presence, though not our support, in the hemisphere. It would seek to reduce bilateral political abrasions and insulate the flow of development aid somewhat from special interest pressures and short-term bilateral political problems.

This option could be carried out through various channels and phased, depending on the readiness and capabilities of the multilateral mechanisms. A substantial bilateral program would continue, at least in the initial years, and measures, such as those listed under Option 1, could be taken to improve its effectiveness.

The Rockefeller Report (pp. 76-77) suggests that we begin to move in this direction. Implementing measures recommended include:

- assigning greater responsibility to CIAP (which the Rockefeller Report suggests be renamed the Western Hemisphere Development Committee) for planning, setting priorities and allocating development assistance to the nations of the hemisphere. Strengthen CIAP by giving full consideration to its recommendations and submitting our economic programs to the Committee for an annual review, as all other members do.
- greater use of OAS channels for technical assistance.
- financial and technical support for regional organizations.
- finance bulk of infrastructure loans by multinational and regional lending institutions.

An alternative approach to shifting increasing responsibility to the other nations is one raised in a Budget Bureau memorandum. It would transfer part of Alliance for Progress loan funds (\$100 million) from AID to the Inter-American Development Bank for a Private Investment Stimulation Fund and part (\$200 million) to the World Bank to create a fund for Latin American program lending. The remaining loan funds would gradually be channeled

SECRET

SECRET

- 23 -

through a strengthened CIAP as its capabilities improved. A \$10 million AID grant would be made to CIAP to strengthen its central staff and establish strong country field missions, which would eventually replace US field missions. Other donors (IBRD, IDB, IMF) would be invited to have permanent active participation in CIAP.

B. Another issue which should be considered in relation to either option discussed above, is whether a new organizational arrangement should be created to supersede AID in carrying out Western Hemisphere development assistance programs.

A new organizational arrangement for Western Hemisphere aid would demonstrate the special importance we attach to the hemisphere. It could create a new image, introduce new personnel, and eliminate more directly the encumbrances on the present AID program. It might facilitate more continuity of programs through multi-year authorizations. The particular type of organizational arrangement would be related to management considerations under the basic program option selected for Western Hemisphere assistance (continued dominant bilateral or shift to shared responsibility.)

Some of the new organizational arrangements possible include:

- separate the Latin American assistance program completely from the rest of AID, leaving it within State under the direction of the Assistant Secretary for Inter-American Affairs.
- a new agency or corporation for Western Hemisphere assistance in the Executive Office of the President. (This is recommended in the Rockefeller Report, pp. 34-35.)
- a public-private corporation, reporting to the President.

The first alternative--separating the Latin American aid program within State--could be an interim step, implemented by Executive Order, pending legislative action on one of the other alternatives.

SECRET

SECRET

- 24 -

A decision on a new organizational arrangement for the Western Hemisphere aid program could be taken before a decision on the future structure of the rest of AID, keeping open the option of some form of association later.

Alternatively, a decision on an organizational arrangement for Western Hemisphere aid could be postponed until the Peterson Commission recommendations on the total aid program are considered.

C. Debt Rescheduling. In addition to new approaches to development assistance, another area in which the US can contribute to accelerated growth and give effect to the special hemisphere relationship is to try to relieve the debt service burden which the hemisphere nations increasingly face. The Rockefeller Report (pp. 78-89) recommends that the US recognize the advantages of a generous re-scheduling of debt service requirements.

1. Rockefeller proposes that CIAP initiate country-by-country studies of the debt service burden so that the US and other lenders can anticipate problems by appropriate debt rescheduling. It further proposes that where dollar payments are rescheduled, equivalent amounts in local currencies should be paid into a special fund for development uses.

2. Another proposal being considered for the IA-ECOSOC position is to urge IBRD and IMF to take the initiative in establishing (1) objective criteria for debt relief and (2) organizing discussions between the debtor country and various creditors.

D. New Sectoral Approaches. The Rockefeller Report recommends special attention in our assistance programs to new approaches in urban and rural community development, agriculture, education, and public health. It also suggests a new conservation program. Although specific decisions on the composition and emphasis of development assistance programs would be subordinate to the basic policy approach, some major proposals could be considered under either option.

1. Establish a Western Hemisphere Institute for Education, Science, and Culture to give special emphasis to these areas. The Institute would be financed at the rate of \$100 million annually and would assume responsibility for many of the regional programs

SECRET

SECRET

- 25 -

in these areas now carried out by AID, CU, and other agencies. It would give full support to the new OAS Council for Education, Science and Culture.

2. Establish a non-profit Inter-American Rural Development Corporation to set up a series of agricultural demonstration programs around the hemisphere. These would involve integrated production, processing and marketing facilities for selected zones.

3. Create an Inter-American Institute for Natural Resource Conservation within the OAS framework to carry out a hemisphere survey, establish education and training programs. Create a conservation public works program with part-time employment of peasant farmers.

(Rockefeller Report, pp. 95-126)

SECRET

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

February 3, 1969

SECRET

National Security Study Memorandum 15

TO: The Secretary of State
 The Secretary of Defense
 The Secretary of the Treasury
 The Administrator, Agency for International Development
 The Director of Central Intelligence

SUBJECT: Review of U.S. Policy Toward Latin America

The President has asked that a broad study be prepared reviewing our overall policy toward Latin America. The study should analyze the situation in Latin America and examine U.S. interests in the region and the conceptual premises which should underpin U.S. policy, as well as alternative strategies to implement it. The overall review should concentrate initially on five major segments of Latin American policy:

1. U.S. posture toward internal political developments in Latin American countries, especially coups.
2. Regional security requirements, U.S. security interests and objectives; the purpose and nature of military assistance programs in the light thereof.
3. Development assistance strategy, the Alliance for Progress and the U.S. role in it.
4. Trade and investment policy; regional economic integration.
5. Role of the OAS and other multilateral organizations.

The President has directed that the NSC Interdepartmental Group for Latin America act as a steering group for this review. The Chairman of the NSC Interdepartmental Group should designate working groups to prepare papers on each of the above five subjects, drawing upon participating agencies for chairmen of the working groups as appropriate.

SECRET

SECRET

- 2 -

Each participating agency should also provide staff support as required and perform such subsidiary studies in support of the overall papers as may be requested. The Chairman of the NSC Interdepartmental Group may invite other agencies not normally participant in the Group to take part in individual studies or participate in meetings as appropriate.

These five papers should be submitted to the NSC Review Group by March 31.

After NSC review of these studies, the NSC Interdepartmental Group should prepare by May 15 for NSC approval an overall statement of U.S. policy toward Latin America, incorporating decisions reached in connection with the individual studies in an overall, coordinated conceptual summary of our policy toward the region.


Henry A. Kissinger

cc: The Chairman, Joint Chiefs of Staff

SECRET

SECRET

NSC REVIEW GROUP MEETING

Thursday, October 9, 1969

State Dept. review completed
pages 44-57

Time and Place: 2:15 P.M. - 4:15 P.M., White House Situation Room

Subject: Latin America (NSSM 15)

JCS and NSC review(s) completed
pages 44-57

Participation:

Chairman - Henry A. Kissinger

Agriculture - Andrew Mair

State - William I. Cargo
Charles Meyer
Donald McHenry

Commerce - Kenneth N. Davis, Jr.

CEA - Paul W. McCracken

ON-FILE Trea RELEASE
INSTRUCTIONS APPLY pages 44-57

Defense - Richard A. Ware

STR - Carl Gilbert

CIA - Edward W. Proctor

AID - Rutherford M. Poats

JCS - LTG F. T. Unger

Gov. Rockefeller's
Office

- William Butler

OEP - Haakon Lindjord

NSC Staff - Viron P. Vaky

ON-FILE DOC RELEASE
INSTRUCTIONS APPLY
pages 44-57

USIA - Frank Shakespeare

Arnold Nachmanoff

BOB - James W. Clark

Robert E. Osgood

Fred Bergsten

Jeanne W. Davis

Treasury - Paul A. Volcker
Anthony Jurich

MORI/CDF
C03309132 pages
44-57

SUMMARY OF DECISIONS

- ... Messrs Vaky and Meyer will rework the Agenda for NSC consideration to:
 - a. identify the policy issues that require Presidential determination,
 - b. define policy choices, adding the flavor of the pros and cons, outlining a bold and a safe option and including the costs (economic, domestic, political, etc.) of each.
 - c. illustrate options with specific issues lifted from the IA-ECOSOC paper.
- ... The NSC meeting should be structured so as to get basic directives useful in preparing specific US positions for the IA-ECOSOC meeting.
- ... CIA should assess the nature of the threat in Latin America: whether Nationalism or Communism presents the greater present danger.

* * * * *

SECRET

- 2 -

Mr. Kissinger introduced Mr. William Butler of Governor Rockefeller's staff and asked him to comment.

Mr. Butler explained that the Rockefeller Report had been developed hurriedly -- actually in two weeks -- and that it attempted in general to develop pragmatic approaches to the various problems encountered. He acknowledged that the report was uneven -- in some cases taking the broad approach to problems and in others going into what he felt was too much detail. He referred to the section on aid, specifically the question of preferences for the LDCs, and said that this position and language had been developed with great care and in close touch with the AFL-CIO and that the position taken reflected their feelings possibly more than those of others.

Mr. Kissinger explained that there would be only one NSC meeting although if, at the end of the October 15 meeting, the President wishes another Council session this will of course happen. He referred to the President's October 31 speech which would lay out the basic principles of a new U.S. approach on Latin America and said the NSC meeting must be geared to producing decisions. He thought the Review Group should focus on an attempt to structure types of decisions we need to get from the NSC meeting with some discussion of what decisions might be handled through interdepartmental papers. He thought we would then be ready for both the NSC meeting and the October 31 speech. He suggested we go through the headings of the Rockefeller Report and of the previous NSC discussion and see what to put up for decision. He asked if the issues in the Agenda paper were properly posed and if it was agreed that the Agenda annex was a fair statement of basic policy.

Mr. Volcker said Treasury found the Agenda incomplete on the economic side. He thought many issues raised strictly in the Latin American context have implications in other areas of the world, that other interests should be better reflected. He asked how this Agenda paper meshes with the IA/ECOSOC exercise, which was much more detailed and much more substantive.

Mr. Meyer said there were three or four facets of the same picture. While the Agenda paper focuses on broad policy, he acknowledged that each interested agency has in mind parallel specifics from the IA/ECOSOC exercise. He thought these would have been self-determining if the broad policy had been established prior to the preparation of the IA/ECOSOC paper.

SECRET

SECRET

- 3 -

Mr. Volcker asked if we could make broad policy in a vacuum.

Mr. Vaky noted that the IA/ECOSOC papers would be on the President's desk prior to the NSC meeting. He thought the NSC could discuss premises and their principal implications and that the President could then decide on specific issues for the IA/ECOSOC.

Mr. Kissinger agreed that the IA/ECOSOC meeting could follow up the decisions made at the NSC. The NSC could make the basic decisions and we could concentrate on specifics in focussing on U.S. positions for the IA/ECOSOC meeting. He thought the two things are reinforcing, but agreed that a second NSC meeting may be required.

Mr. Davis said Commerce had noted in the sections on trade, investment, and development assistance an omission of any mention of non-U.S. foreign business presence in Latin America.

Mr. Kissinger asked if this were a policy issue.

Mr. Davis noted that the Rockefeller Report had recommended, for example, limiting project lending to certain sectors, with the result that we would turn over to other countries project lending opportunities in other sectors. He noted this would leave the door open for Japan and the European countries. He thought we should find a way to keep U.S. business presence in the picture, indeed to stimulate U.S. business presence, for example, by opening up hemisphere project lending, possibly encouraging U.S. companies to shift some activities to subsidiaries. He saw no mention of the rest of the world in the Rockefeller recommendations.

Mr. Butler commented that the Rockefeller Report did rely on international agencies for project lending and questioned whether the role of other foreign countries in this area was a major one.

Mr. Davis remarked that both Japan and the European countries were presently aiming their aid lending toward Latin American countries.

Mr. Volcker cited this as a particular example of the general problem with the Rockefeller Report which was that it looked at Latin America in a vacuum.

Mr. Kissinger asked for any other general comments.

General Unger said the military thought the military-security section should begin with a statement on the conflicting view of the nature of the threat in Latin America. He noted that the response to NSSM 15 cited

SECRET

- 4 -

nationalism as the real threat, with Communism as a potential longer-range problem, while the Rockefeller Report saw Communism as the real and present danger. *

Mr. Vaky noted this point was made in the Agenda paper, to which General Unger replied that it was in the precis but not in the Agenda annex.

Mr. Kissinger agreed that the point should be made and asked CIA for an assessment of the problem to be attached as an annex to the NSC paper. He thought the difference in view in the recommendations was less than in the theory backing up the recommendations.

General Unger said that on the question of the military missions in Latin America, JCS would prefer to withhold any action pending the completion of various related studies, e.g., the response to NSSM 68 (The Military and the Church in Latin America), a Defense study now underway of all military missions, etc. He noted a statement at the July 9 NSC meeting concerning the importance of personal contacts in Latin America and said that all services were now compiling data on military personalities in the area. He also referred to a study of the value of SOUTHCOM in Panama and asked that these studies not be preempted by an early decision on the future of military missions in Latin America.

Mr. Kissinger agreed that we could delay the major decision in this area but thought we could discuss the problem of visibility and basic attitudes and relationships.

General Unger noted that the only rationale in the Rockefeller Report for their suggestion for closing the military missions was too much visibility.

Mr. Gilbert thought we must be careful that actions taken to favor Latin America do not run counter to our interests in other areas. He mentioned agricultural products, specifically beef, where the Rockefeller recommendations run directly counter to U.S. interests in Australia and New Zealand. He thought we should approach these with caution so that conflicting desirabilities are flagged.

Mr. Kissinger agreed.

Mr. Gilbert asked if there would be enough time to spot such things.

Mr. Kissinger assured him that all concerned agencies would get a crack at any major Presidential pronouncement. He cited the President's remarks at Camp David, that he did not want a rehash of familiar positions.

SECRET

SECRET

- 5 -

While he had no fixed ideas, he wants a new departure and bold policy suggestions with regard to Latin America. He thought we could include options which would be different from past consensus without being inconsistent with our interest in other areas. He reiterated that everyone would get a crack at any new proposals.

He then suggested we go through various items in the Agenda paper. He thought the theoretical issues had been settled at the previous NSC meeting (pragmatic approach, special relationship, etc.) and suggested the Review Group consider trade, development, private investment, political and security issues, in that order. With regard to trade, he thought the key issue was how to give effect to the special relationship, with regard the preferences, quotas, non-tariff barriers and the like. He suggested the NSC focus be on general principles with specific proposals to be a part of the IA-ECOSOC package.

Mr. Butler noted that while Governor Rockefeller feels strongly on special treatment for Latin America, he would support a move for generalized tariff preferences rather than specific preferences. With regard to quotas, Governor Rockefeller thought it was in the U. S. interest to pay greater attention to the Latin American share in the growth of markets.

Mr. Kissinger asked if there were counter arguments.

Mr. Mair noted that of the 175 items (presumably refers to IA-ECOSOC proposal to eliminate "nuisance duties") 60 percent were agricultural. He noted that with the cut in production of coffee, bananas and cocoa, they were no longer competitive. Because of Cuba, we had shifted quotas on sugar primarily to the other Latin American countries with some to the Philippines. He noted that many decisions in this area were controlled by legislation.

Mr. Vaky noted that there were areas in which we could move administratively without requiring new legislation.

Mr. Volcker commented that there was no quantitative indication of how these recommendations related to position of U. S. industry, domestic political problems, balance of payments problems, etc.

Mr. Meyernoted that he did not disagree with Mr. Volcker but there had not been time for any quantitative cross-analysis.

Mr. Vaky agreed that the paper had attempted to establish what to do subject to certain realities.

SECRET

SECRET

- 6 -

Mr. Kissinger asked how we could frame this as a proposal on which the President could act. Should we not give him a rough order of magnitude of various factors?

He asked if any of the proposals in the Rockefeller Report or any of the items in the Agenda paper were non-controversial.

All agreed on tourism as a non-controversial item!

Mr. Bergsten commented that all agencies were agreed to support some sort of general tariff preferences, and Mr. Volcker commented the question was how much to shape these programs toward Latin America.

Mr. Kissinger thought the question might be how it would be possible within a general scheme to pay special attention to Latin America.

Mr. Gilbert noted that general tariff preferences would work to the advantage of Latin America. He saw as a prerequisite that regional organizations would agree to forego any other preferences, accordingly the European Community, the African group, and to some extent the Commonwealth would make themselves ineligible for special preferences, which would leave only Latin America eligible for general preferences. He also thought the State Department uses hortatory language on the question of special preferences and reverse preferences. He thought the agreement by regional groups to forego other preferences should be a prerequisite so that our negotiators should return for further instructions if they are unsuccessful in getting agreement on this point.

Mr. Kissinger thought the Rockefeller Report agreed that a general system would favor Latin America. If we can establish a general system, would that give the President enough until the end of October. Could we then go to specific recommendations? Could we give the President the options as to how to take the next step and do what would be necessary to get the thing moving?

Mr. Gilbert referred to the possible necessity for legislation but Mr. Bergsten thought this could be handled in the negotiating instructions to the U.S. delegation to IA/ECOSOC. He noted that the U.S. needs to develop a position on what types of preferences should be included.

Mr. Cargo noted that there was an interagency paper on the tariff preferences question. While the European countries all have schemes on the table on this issue, we have not, and there had been an attempt to develop a position at the Under Secretaries Committee to go to the President.

SECRET

SECRET

- 7 -

Mr. Bergsten remarked that this paper had arrived last night and was ready to go to the President.

Mr. Kissinger asked that this basic issue be brought in to the NSC consideration and in a way which will allow everyone to be heard on the subject.

Mr. Gilbert commented that the tariff preference memo was not distinguished for the clarity of its presentation of the issues for Presidential decision. He thought one had to look hard in the paper for these issues.

Mr. Kissinger said he assumed there was a large range of possibilities between the extremes of a liberal and a restricted approach to the problem.

Mr. Gilbert questioned the implication contained in the memoranda of conversations with various members of the Congress that described the tariff preferences as self-limiting because of the competitive needs of various departments. He thought there was in fact a major legislative problem.

Mr. Kissinger said he had no view on the substance of this issue except to make sure that it was clearly defined for the President. He assumed

the President could not make a major speech on Latin America without referring to it. He thought, however, we should focus on the big issue -- on the policy which will permit development of a negotiating position. The President will need to know the options he has -- various shades between a liberal and a restricted position. Was it possible to get a brief statement of these?

Mr. Bergsten said it was. He thought the issue was stated well in the tariff preference paper although the arguments were not as clear. He thought the agencies were developing separate papers which would refine the pros and cons of various arguments.

SECRET

SECRET

- 8 -

Mr. Kissinger thought we should present the President with his choices with related costs including domestic, political and economic costs. He thought we should make sure to get a Presidential expression at the NSC meeting or later.

Mr. Cargo noted that, under Item III on Trade in page 3 of the Agenda paper, State would prefer that the second option be phrased more within the framework of worldwide policy -- that it should read, "...providing preferred treatment for Latin America, wherever possible, without a significant breach of our worldwide commercial policy."

Mr. Kissinger noted the discussion of the Rockefeller recommendations on page 16 of the Agenda annex.

Mr. Davis noted that textiles had crept back into the IA-ECOSOC. He thought textiles was a whole separate issue, and should be taken out of the IA-ECOSOC paper.

Mr. Vaky thought we had a forum for decision on specific issues in the IA-ECOSOC memorandum, and that we could discuss concepts in the NSC with regard to textiles and other specific issues. He thought the State Department was still receiving comments on the IA-ECOSOC paper.

Mr. Kissinger said the only concern was to keep the NSC meeting from becoming a statement of platitudes -- could we affirm the special relationship without boring people?

Mr. Volcker thought the Agenda paper was one-sided on what the U.S. can do. He thought the Latin Americans could do more on private investment and in other areas, and that all of their problems are not external ones.

Mr. Poats said this point was being written into the draft of the President's speech.

Mr. Volcker thought the net result of the agenda paper was misleading.

Mr. Vaky said these issues were covered in the IA-ECOSOC paper.

Mr. Kissinger said we should give the President some illustrative examples of the sort of things listed under the various headings on pages 15 and 16 of the Agenda paper. Otherwise, the NSC meeting would be spent on theology, and it would be necessary to renegotiate on all the specific items. He asked Mr. Vaky and Mr. Meyer to redo

SECRET

SECRET

- 9 -

the paper with this in mind. They should pull out those recommendations which can be quantified, should outline various options including a bold option and a safer option, and should incorporate some of the specifics from the IA-ECOSOC paper.

Mr. Volcker asked what was meant by the Rockefeller recommendation for a hemisphere conference on the division of labor.

Mr. Nachmanoff said he thought this implied a longer-term approach to the gradual elimination of trade barriers, and that the conference was conceived as a first step to discussion of the gradual reduction of barriers in the hemisphere.

Mr. Gilbert said he had read this as an international conference to enact a doctrine of comparative advantage.

Mr. Kissinger asked who wrote this section?

Mr. Butler replied that it was a suggestion by the President of Colombia.

Mr. Bergsten suggested that this looked toward a system of tariff preferences to be developed within the hemisphere.

Mr. Poats commented that the Latin American countries could not agree among themselves.

Mr. Kissinger noted that we were under no injunction to accept every Rockefeller recommendation. He suggested we move on to the development issue.

Mr. Kissinger said the key issue was whether the U.S. should take increased responsibility for the Latin American countries on the use of development assistance or whether we should shift to a partnership through strengthening the regional institutions. The Rockefeller Report suggests that we move in the multilateral direction, while the Budget Bureau suggests transferring some Alliance program funds from AID to the IADB and some to the World Bank.

Mr. Butler thought the Agenda paper was a good statement of the options. With regard to debt rescheduling, he thought the problem should not be aired publicly -- that a public statement would be an open invitation to some countries to behave irresponsibly. He thought both the U.S. Government and international agencies should be concerned with the problem, but that they should not comment in a speech or public statement.

Mr. Gilbert thought it should be made clear that any rescheduling should be in cooperation with other countries.

SECRET

SECRET

- 10 -

Mr. Volcker thought it should be made plain that debt rescheduling was not the solution.

Mr. Kissinger said the question was how to move more into partnership.

Mr. Volcker thought the drafting of the Agenda paper was misleading in this area, since most aid to Latin America already goes through international organizations. There is a question of the feasibility of imposing another body between the U.S. and Latin America in administration of the bilateral aid program. He thought the Budget Bureau's proposal would raise problems with the Congress -- for instance, which committee would have jurisdiction if some bilateral aid were channeled through international institutions? He thought we should put down the pros and cons -- can we evade our responsibility for the administration of U.S. aid? He thought the Rockefeller recommendations envisaged a role for an international agency in bilateral assistance.

Mr. Vaky mentioned the use of CIAP.

Mr. Volcker asked how soon CIAP could take on the responsibility. He thought there was a conceptual problem -- how can U.S. funds be given away through an agency in which we do not have a primary role?

Mr. Meyer commented that the broad framework of the paper is built on the fact of a special relationship. The President has said it is there and let's do something about it. The Rockefeller Report is, by its genesis, a report of what Governor Rockefeller heard. The IA-ECOSOC recommendations were made in response to a Latin American consensus of what they think is wrong, what they need, and what they expect. It is agreed that there is a lot the Latin American countries should do that they have not done. However, the question is not what the U.S. can't do, but what we would like to do if we could. The Latin American countries take the position that they are grown up -- that they would rather do it themselves, of course, with our money or with other low cost money. The restructuring of CIAP is one approach. All Latin American nations go annually to CIAP with their programs, budgets, etc. Representatives of IADB and other institutions sit in on these discussions. He noted that multilateralization was a thread which ran through all reports and studies on Latin America. He noted that Under Secretary Richardson, in connection with the review of the IA-ECOSOC paper, had commented that to recommend multilateralization is one thing, but we should specify how CIAP should work. He thought Congressional committees (Foreign Affairs and Foreign

SECRET

SECRET

- 11 -

Relations Committees) consistently emphasize multilateralization; but that they must recognize that we, the shareholders, would lose more control than we would in a bilateral context. The General Accounting Office cannot look down the throat of an international organization. He thought one real thrust for more multilateral lending was that the Latin Americans think they may avoid a strict U.S. examination thereby.

Mr. Volcker raised a specific issue on channeling of the bilateral portion of our aid.

Mr. Meyer commented that he would keep bilateral aid pure.

Mr. Kissinger said he saw two issues: (1) should we move increasingly toward a multilateral approach in Latin America and (2) if so, what should be the chosen mechanism? The Rockefeller Report and the Budget Bureau had made recommendations and there may be others.

Mr. Clark noted one alternative can be to put U.S. dollars for private investment through the IADB. The IADB is already in the field and has a certain capability. We could take our bilateral program in this area and let them administer it for us. This would be a concrete action to give expression to general policy which would result in only a small diminution of U.S. control and effectiveness. There was a legal bar that only 15 percent of the bilateral program could be put through international bodies, but the President could ask for a change in the Foreign Assistance Bill now under consideration in the House.

Mr. Kissinger asked if he referred to all bilateral assistance.

Mr. Clark replied only to private investment assistance.

Mr. Vaky noted that the plan would channel bilateral aid through CIAP and the IADB in a fashion similar to the channeling of Marshall Plan funds through the OEEC.

Mr. Poats said it was not timely to deal with organizational changes. Indeed the Latin America countries were not asking for organizational changes. He thought we should await the results of the Petersen Commission study. He also thought we would need legislation for any such changes and, since the House Foreign Affairs Committee has finished its mark-up of the Foreign Aid Bill, it was too late to go to Congress this year. He also thought we would not be successful in getting agreement to go through the IADB since the Bank already had an oversupply of uncommitted funds and Congressman Passman had

SECRET

SECRET

- 12 -

threatened to appropriate no more money until these funds had been used. He thought the NSC should seek a Presidential decision on a new organizational arrangement and that the Budget Bureau's proposal should not be discussed. He questioned whether the Agenda paper's posing of the issue as to whether the U.S. should begin to share responsibility for development assistance with the Latin America countries was too much "either/or" in the back-up discussion on pages 21 and 22 of the Annex. He thought the report recognized that there must be a continuation of bilateral programs and the question was whether a feasible mechanism could be developed for introducing a multilateral review, performance standards, etc., into the system. He thought the President and our IA-ECOSOC representatives should say that we are interested in any proposals for strengthening CIAP or otherwise introducing Latin American group judgment. We should let them propose the specifics.

Mr. Butler said we did not intend to channel U.S. dollars through CIAP but that we envisaged that CIAP would have a strong influence on all lenders and all recipients.

Mr. Meyer thought the Under Secretaries Committee paper came close to Mr. Poats position. It does not look at an international organization as a disbursing agent but rather thought CIAP could be a Latin American OEEC.

(3:55 P.M. - Mr. McCracken left the meeting.)

Mr. Vaky asked if we should suggest several proposals for a possible CIAP role.

Mr. Davis commented that the IA-ECOSOC paper noted several specific issues on the untying of assistance which were not carried over as issues in the Agenda paper.

Mr. Butler commented, with regard to private investment, that the main responsibility was on the Latin Americans. We should do what we can but it is reasonably marginal. He thought the Rockefeller Report was too detailed in this area. He thought much was already being done. He thought there was a proposal that the World Bank could sell dollar bonds in Brazil for projects in Latin America.

Mr. Davis again asked how the IA-ECOSOC issues on untying aid could be tied in with the issues in the Agenda paper. He noted that in para. 2

SECRET

SECRET

- 13 -

on page 21 the Agenda paper refers to measures which could be taken to improve the current development assistance program but that the IA-ECOSOC requires specifics.

Mr. Kissinger said he thought we should always go in the direction of specificity. He did not think we could do with a general proposal unless it represented a major policy change. He thought we should give the President two or three specific illustrations in each area and that in this respect we could work in some of the IA-ECOSOC proposals.

(4:00 P.M. - Mr. Butler left the meeting.)

Mr. Kissinger thought we should shape the NSC meeting so as to get directives which would be useful for the IA-ECOSOC meeting and then work backwards to the President's speech, except in those areas where the State Department needs general policy guidance.

Mr. Davis asked if there would be another Under Secretaries Committee meeting on the IA-ECOSOC papers.

Mr. Cargo said he did not know.

Mr. Vaky asked if we should use the IA-ECOSOC papers as the NSC Agenda.

Mr. Kissinger thought we might but that we should add the general policy issues that require Presidential determination -- a move toward multilateralization, etc.

Mr. Cargo proposed instead that we use the Agenda paper if it were expanded to include certain IA-ECOSOC specific issues.

Mr. Kissinger agreed to that.

Mr. Poats suggested that we might list items from the Agenda paper on separate sheets of the paper to be followed immediately by the relevant sections of the IA-ECOSOC paper.

Mr. Kissinger thought we should then add a bold option and a safe option in each instance.

Mr. Volcker asked with whom a Treasury man could be in touch on the preparation of the new paper and Mr. Kissinger replied Mr. Vaky and Mr. Meyer would put the paper together.

SECRET

SECRET

- 14 -

Mr. Vaky said he intended to keep the present Agenda format but illustrate it with specific issues, most of them lifted from the IA-ECOSOC paper.

Mr. Kissinger said that where possible we should define the policy choices, adding the flavor of the pros and cons, outlining the bold and safe options, and including something on the costs of the various choices.

Mr. Bergsten thought we should count the costs in the context of the entire package rather than of individual items.

Mr. Kissinger thought we much give the President some order of magnitude.

Mr. Kissinger and Mr. Meyer discussed the mechanics of the drafting of the President's speech and Mr. Kissinger asked that the State Department draft be submitted soon.

SECRET